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INTERSTATE COMMERCE COMMISSION

LEASE

between

THE ROYAL TRUST COMPANY,
as Owner Trustee for
SCHULER INDUSTRIES, INC.

and

CANADIAN PACIFIC LIMITED

Dated as of October 23, 1974

LEASE dated as of October 23, 1974, between THE ROYAL TRUST COMPANY, a trust company incorporated by special charter granted under the laws of the Province of Ontario, Canada (hereinafter together with its successors and assigns, being called the Lessor), as Owner Trustee under a Trust Agreement (hereinafter called the Trust Agreement) dated as of the date hereof with SCHULER INDUSTRIES, INC., an Alabama corporation (hereinafter called the Beneficiary), and CANADIAN PACIFIC LIMITED, a corporation incorporated under the laws of Canada (hereinafter called the Lessee).

WHEREAS the Lessee has entered or will enter into a manufacturing agreement (hereinafter called the Manufacturing Agreement), with Whittaker Corporation, Berwick Forge and Fabricating Division (hereinafter called the Manufacturer), pursuant to which the Lessee has agreed to purchase and take delivery of certain railroad equipment; and

WHEREAS, under an Assignment of Manufacturing Agreement the Lessee is assigning to the Lessor its rights under the Manufacturing Agreement to purchase and take delivery of those units of railroad equipment described in Schedule I hereto (such railroad equipment being hereinafter sometimes called the Equipment); and

WHEREAS the Lessee agrees to lease from the Lessor all the units of the Equipment, or such lesser number of units as are delivered and accepted under the Manufacturing Agreement on or prior to November 30, 1974, at the rentals and for the terms and upon the conditions hereinafter provided (each such unit being hereinafter called a Unit); and

WHEREAS the Lessor will enter into an equipment trust agreement (hereinafter called the Equipment Trust Agreement), with a corporate trustee (hereinafter called the Trustee), pursuant to which equipment trust certificates (hereinafter called the Trust Certificates) will be sold to finance a portion of the purchase price of the Equipment, the Lessor will be obligated to make payments of principal and interest thereon out of the rentals received hereunder and security title to the Units and this Lease will be conveyed to the Trustee until the Lessor fulfills all its obligations under the Equipment Trust Agreement;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions, but subject and subordinate to all the rights and remedies of the Trustee under the Equipment Trust Agreement.

Section 1. Delivery and Acceptance of Units. The Lessor will cause each Unit accepted pursuant to the Manufacturing Agreement to be delivered to the Lessee at such point or points as may be mutually acceptable to the Lessor and the Lessee. Immediately upon such delivery, the Lessee will cause its authorized inspectors or representatives to inspect the same, and if it is found to be acceptable, to accept delivery thereof under this Lease and to execute and deliver to the Lessor a certificate of acceptance therefor in the form of Annex C to the Manufacturing Agreement (hereinafter called a Certificate of Acceptance), whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee under this Lease and shall be subject thereafter to all the terms and conditions of this Lease. Any Unit or Units excluded from the Equipment Trust Agreement pursuant to the Article therein concerning "Acquisition of Trust Equipment by Trustee" shall likewise be excluded from this Lease.

Section 2. Rentals. Subject to subdivision E of Section 13 of this Lease, the Lessee agrees to pay to the Lessor in such coin or currency of the United States of America as, at the time payable, shall be legal tender for the payment of public and private debts, as rental for each Unit subject to this Lease, one interim rental payment on November 30, 1974, and 30 consecutive semiannual payments payable in arrears on May 31 and November 30 of each year, commencing May 31, 1975. The interim rental payment shall be an amount for each Unit subject to this Lease equal to \$8.44 for each day elapsed from and including the date such Unit is settled for under the Manufacturing Agreement to November 30, 1974. The 30 semiannual rental payments shall each be in an amount equal to \$1,534.66 for each Unit subject to this Lease.

All rental and other payments provided for in this Lease to be made to the Lessor shall be made to the Lessor by the deposit of the funds to the account of the Lessor at the branch of such bank or trust company as shall be from time to time specified in writing by the Lessor.

If the date fixed for the payment of any rental shall be other than a Business Day such payment shall be due and payable on the next preceding Business Day. The term Business Days as used in this Lease shall mean calendar days, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, or Toronto, Canada, are authorized or obligated to remain closed.

This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof or set-off against rent, including but not limited to, abatements, reductions or set-offs due or alleged to be due to, or by reason of, any past, present or future claims of the Lessee against the Lessor under this Lease or otherwise or against the Trustee or the Manufacturer; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use of or destruction of all or any of the Units from whatever cause, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease or lack of right, power or authority of the Lessor to enter into this Lease or the Equipment Trust Agreement, or by reason of any failure by the Lessor to perform any of its obligations herein contained, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease.

Section 3. Term of Lease. The term of this Lease as to each Unit shall begin on the date of acceptance thereof by the Lessee pursuant to Section 1 hereof, and, subject to the provisions of Sections 6, 9, 16 and 18 hereof, shall terminate on the date on which the final semiannual payment of rent in respect thereof is due pursuant to Section 2 hereof.

Notwithstanding anything to the contrary contained herein, all rights of Lessee under this Lease and in and to the Units, are subordinate, junior in rank and subject to the rights of the Trustee under the Equipment Trust Agreement.

Section 4. Identification Marks. The Lessee will cause each Unit to be kept numbered with the identifying number as set forth in Schedule I hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of such Unit, in letters not less than one inch in height, the following words: "OWNED BY CANADIAN BANK OF COMMERCE TRUST COMPANY, 20 EXCHANGE PLACE, NEW YORK, NEW YORK, AS TRUSTEE UNDER AN EQUIPMENT TRUST AGREEMENT", or other appropriate words designated by the Lessor or the Trustee, with appropriate changes thereof and additions thereto as from time to time may be required by law or reasonably requested by the Lessor in order to protect the interest of the Lessor and the Trustee in and to such Unit and the rights of the Lessor under this Lease and the Equipment Trust Agreement and of the Trustee under the Equipment Trust Agreement. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked on both sides thereof and will replace promptly any such words which may be removed, defaced or destroyed. The Lessee will not change or permit the identifying number of any Unit to be changed except in accordance with a statement of new identifying numbers to be substituted therefor, which statement previously shall have been filed with the Trustee and the Lessor by the Lessee and filed, recorded or deposited in all public offices where this Lease will have been filed, recorded or deposited.

Except as above provided the Lessee will not allow the name of any person, association or corporation to be placed on the Units as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Units to be lettered with the names, initials or other insignia customarily used by the Lessee or any permitted sublessee on railroad equipment used by it of the same or similar type for convenience of identification of their right to use the Units.

Section 5. Taxes. Subject to subdivision E of Section 13 hereof, all payments to be made by the Lessee hereunder will be free of expense to the Lessor and the Trustee for collection or other charges and will be free of expense to the Lessor and the Trustee with respect to the amount of any local, state, provincial or federal United States or Canadian taxes (other than any local, state, or federal United States income taxes in consequence of the receipt of payments provided herein and the aggregate of all franchise taxes measured by net income based on such

receipt, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided), assessments or license fees (and any charges, fines or penalties of any kind in connection therewith) (hereinafter called "impositions") hereafter levied or imposed upon or in connection with or measured by this Lease, the Equipment Trust Agreement or any of the instruments or agreements referred to herein or therein or contemplated hereby or thereby, or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof, the Equipment Trust Agreement or any such instruments or agreements (other than (i) any deemed disposition as provided in the Income Tax Act [Canada] and (ii) any amounts required by law to be withheld from any payment of interest made to the Trustee for the benefit of, or directly to, any holder from time to time of a Trust Certificate), all of which impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all impositions which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom or upon the Lessor solely by reason of its interest therein or upon the Trustee solely by reason of its title thereto and any and all impositions upon or on account of the trust created by the Equipment Trust Agreement or upon or on account of the Equipment Trust Agreement, or the transactions contemplated thereby (whether or not such transactions shall actually be consummated) or the instruments or agreements referred to therein or contemplated thereby, and will keep at all times all and every part of such Unit free and clear of all such impositions which might in any way affect the interests of the Lessor or the Trustee or result in a claim, lien, security interest or other encumbrance upon any such Unit and will supply the Lessor and the Trustee with a receipt or other evidence of such payment satisfactory to the Lessor and the Trustee; provided, however, that the Lessee shall be under no obligation to pay any impositions so long as it is contesting in good faith and by appropriate legal proceedings such impositions and the nonpayment thereof does not, in the opinion of the Lessor or the Trustee, adversely affect the property or rights of the Lessor or the Trustee hereunder or under the Equipment Trust Agreement and the Lessee shall have furnished the Lessor and the Trustee with an opinion (in form and substance satisfactory to the Lessor and the Trustee) of counsel (approved by the Lessor and the Trustee) to such effect. If any such impositions shall have been

charged or levied against the Lessor or the Trustee directly and paid by the Lessor or the Trustee, the Lessee shall reimburse the Lessor or the Trustee, as the case may be, on presentation of an invoice therefor and such amount shall be due on such presentation; provided, however, that the Lessee shall not be obliged to reimburse the Lessor or the Trustee for any such imposition so paid unless (a) prior to such payment, the Lessor or the Trustee shall have obtained the opinion of either of their respective counsel that either the Lessor or the Trustee was liable to pay such imposition, or (b) unless the Lessee shall have approved the payment thereof.

In the event any reports with respect to impositions are required to be made on the basis of individual Units the Lessee will either make such reports in such manner as to show the interests of the Lessor and the Trustee in such Units, if such is necessary or appropriate, or will notify the Lessor and the Trustee of such requirement and will make such reports in such manner as shall be satisfactory to the Lessor and the Trustee. The Lessor shall use its best efforts to utilize Canadian depreciation and interest income tax deductions in such a manner as will minimize its Canadian income tax liability in each year and will furnish to the Lessee upon request copies of its Canadian income tax returns.

Notwithstanding anything in this Section 5 to the contrary, any sale of, or transfer of title to, the Units to the Lessee pursuant to the terms of this Lease will be free of expense to the Lessor and the Trustee with respect to the amount of any provincial or federal Canadian income taxes in consequence of such sale or transfer of title but only, as to the Lessor, to the extent the Beneficiary does not receive a credit for such Canadian taxes against its United States income tax liability.

Notwithstanding any provision herein to the contrary, the Lessee agrees to pay, and to indemnify and hold harmless, the Lessor, the Trustee and each holder from time to time of a Trust Certificate or Trust Certificates from, any and all taxes (together with any penalties, fines or interest thereon and any other costs and expenses incurred in contesting any of the foregoing or otherwise in connection therewith, including, without limitation, legal fees and disbursements) imposed against the Lessor, the Trustee, or any holder from time to time of a Trust Certificate or

Trust Certificates by the United States or Canada or any taxing authority thereof or therein in connection with the issuance, purchase, sale or acquisition of the Trust Certificates upon original issuance, the purchase, ownership, delivery, lease, assignment, pledge, possession, use, operation, return or other disposition of the Units, this Lease or the Equipment Trust Agreement or any transaction contemplated hereby or thereby (other than (i) any deemed disposition as provided in the Income Tax Act [Canada], (ii) any amounts required by law to be withheld from any payment of interest to the Trustee for the benefit of, or directly to, any holder from time to time of a Trust Certificate and (iii) the matters referred to in the next preceding paragraph of this Section 5).

All the obligations of the Lessee under this Section 5 and under Section 13 hereof shall survive the expiration or earlier termination of this Lease and are expressly made for the benefit of, and shall be enforceable against the Lessee and its successors by, the Lessor, the Trustee and each holder from time to time of a Trust Certificate or Trust Certificates.

Section 6. Payment for Casualty Occurrences; Insurance. In the event that any Unit shall be or become worn out, lost, stolen, destroyed or damaged beyond economic repair, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise (any such occurrence being hereinafter called a Casualty Occurrence) during the term of this Lease or until such Unit shall have been returned to the Lessor in the manner provided in Section 12 hereof, the Lessee shall, within 30 days after it shall have determined that such Unit has suffered a Casualty Occurrence, fully notify the Lessor and the Trustee with respect thereto. On the rental payment date next succeeding such notice (or, at the option of the Lessee, in the event such rental payment date shall occur within 15 days after such notice, on the next succeeding rental payment date) or within 60 days if such Unit is being returned under Section 12 hereof, the Lessee shall pay to the Lessor an amount equal to the accrued rental for such Unit to the date of such payment plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of such rental payment date in accordance with the schedule in the next succeeding paragraph. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue as of the date of such payment and the term of this Lease as to such Unit shall terminate. The Lessor shall, upon request

of the Lessee, after payment by the Lessee of a sum equal to the Casualty Value of any such Unit, execute and deliver to or upon the order of the Lessee a bill of sale (without warranties) for such Unit such as will transfer to the Lessee such title to such Unit as the Lessor and the Trustee derived from the Manufacturer free and clear of all liens, security interests and other encumbrances arising through the Lessor or the Trustee.

The Casualty Value of each Unit as of any rental payment date shall be the dollar amount set forth opposite the applicable rental payment number in the following schedule:

<u>Rental Payment</u>	<u>Casualty Value</u>
1	\$25,082
2	25,205
3	25,243
4	25,205
5	25,091
6	26,216
7	24,807
8	24,335
9	23,823
10	24,582
11	22,678
12	22,046
13	21,374
14	21,974
15	19,911
16	19,122
17	18,296
18	17,439
19	16,550
20	15,629
21	14,673
22	13,682
23	12,653
24	11,584
25	10,475
26	9,323
27	8,125
28	6,880
29	5,586
30 and thereafter	4,239

The foregoing dollar amounts have been computed without regard to recapture of Investment Tax Credit. Consequently the Casualty Value of any Unit suffering a Casualty Occurrence on or before the third, fifth and seventh anniversary of the date of delivery and acceptance of such Unit shall be increased by the applicable dollar amount set forth in the schedule below:

<u>Anniversary of Delivery and Acceptance</u>	<u>Dollar Amount per Unit</u>
Third	\$ 3,933
Fifth	2,622
Seventh	1,311

Except as hereinabove in this Section 6 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit after delivery to and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times while this Lease is in effect, at its own expense, cause to be carried and maintained insurance in respect of the Units at the time subject hereto, and public liability insurance, in amounts and against risks customarily insured against by railroad companies on similar equipment, and in any event in amounts and against risks comparable to those insured against by the Lessee on equipment owned by it and the benefits thereof shall be payable to the Lessor, the Trustee and the Lessee as their interest may appear and will furnish appropriate evidence of such insurance coverage upon the reasonable request of the Lessor, provided that in lieu of all or a part of such insurance the Lessee may self insure to the same extent that it does with respect to other similar equipment owned by it. Any damages receivable from others, any salvage value recovered or paid by the Lessee, any condemnation payments and any net insurance proceeds received by the Lessor in respect of Units suffering a Casualty Occurrence (all hereinafter collectively referred to as Recoveries) shall be deducted from the amounts payable by the Lessee to the Lessor in respect of Casualty Occurrences pursuant to this Section 6 and the excess of such Recoveries, if any, shall belong to the Lessor. If the Lessor shall receive

any such Recoveries after the Lessee shall have made payments pursuant to this Section 6 without deduction for such Recoveries, the Lessor shall pay such Recoveries to the Lessee up to an amount equal to the Casualty Value with respect to a Unit paid by the Lessee and any balance of such Recoveries shall remain the property of the Lessor.

All proceeds of insurance received by the Lessor in respect of insurance carried on any Unit or Units not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired.

Section 7. Annual Reports. On or before April 1 in each year, commencing with the year 1975, the Lessee will furnish to the Lessor, the Trustee and Firstmark Investors Leasing, Inc., 15 Messenger Drive, Warwick, Rhode Island 02888, in such number of counterparts or copies as may reasonably be requested, an accurate statement signed by an authorized representative, (i) showing, as of the preceding December 31, the amount, description and numbers of all Units then leased hereunder and the amount, description and numbers of all Units that may have suffered a Casualty Occurrence, whether by accident or otherwise, during the preceding calendar year (or since the date of this Lease in the case of the first such statement), and such other information regarding the condition and statement of repair of the Units as the Lessor or the Trustee may reasonably request, (ii) identifying the Units then subject to this Lease and (iii) stating that, in the case of all Units repaired or repainted during the period covered by such statement, the markings required by Section 4 hereof and the Equipment Trust Agreement have been preserved or replaced. The Lessor shall have the right, by its agents, but shall be under no obligation, to inspect the Units and the records of the Lessee with respect thereto at any reasonable time during continuance of this Lease.

The Lessee agrees that it will furnish to the Lessor, the Trustee and to each holder of a Trust Certificate or Trust Certificates, in duplicate, (i) as soon as available, and in any event within 120 days after the close of each fiscal year of the Lessee, the annual report of the Lessee, including a balance sheet, income statement and statement of retained income of the Lessee for the preceding fiscal year, all in

reasonable detail and certified by an independent public accountant, and (ii) such additional information as the Lessor, the Trustee or any such holder may reasonably request concerning the Lessee in order to enable said party to determine whether the covenants, terms and provisions of this Lease have been complied with by the Lessee.

Section 8. Disclaimer of Warranties; Compliance With Laws and Rules; Maintenance; Indemnification. The Lessee has selected the Manufacturer and determined the design and specifications of the Units. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN, COMPLIANCE WITH SPECIFICATIONS, OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, OR AS TO THE SUITABILITY, ADEQUACY, OPERATION, USE OR PERFORMANCE OF, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OR MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee as their interests may appear, whatever claims and rights the Lessor may have against the Manufacturer of the Units or the manufacturers of the components thereof. The Lessor shall have no responsibility or liability under this Lease to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstance in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipatory profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's acceptance of delivery of the Units shall be conclusive evidence as between the Lessee, the Lessor and the Trustee, that all Units described in a Certificate of Acceptance are in all the foregoing respects satisfactory to the Lessee and the Lessee will not assert any claim of any nature whatsoever against the Lessor or the Trustee based on any of the foregoing matters.

The Lessor represents, warrants and covenants as follows:

(i) At the time of delivery of each Unit under this Lease, the Lessor shall have such title to such Unit as is derived from the Manufacturer and, if the Equipment Trust Agreement has been executed and delivered, the Trustee, unimpaired by any act or omission of the Lessor or the Trustee which will in any manner prevent the performance of this Lease in accordance with its terms and, in addition, such Unit shall be free and clear of all claims, liens, security interests and encumbrances, except those created or arising under the Manufacturing Agreement or, if it has been executed and delivered, the Equipment Trust Agreement, which may result from claims against the Lessor or the Trustee not arising out of the lease or ownership thereof which will prevent the performance of this Lease in accordance with its terms; and

(ii) So long as the Lessee shall not be in default under this Lease, the Lessor shall not do or cause to be done any act which interferes with any and all rights of the Lessee to peaceably and quietly hold, possess and use the Units in accordance with the terms of this Lease.

The Lessor covenants that any sale, assignment, transfer, mortgage or other disposition which it may make of this Lease or of any Unit, whether prior or subsequent to delivery to the Lessee, shall be expressly subject to the terms and provisions of this Lease, the Equipment Trust Agreement and the Assignment of Lease and Agreement (hereinafter called the Lease Assignment), pursuant to which this Lease is assigned to the Trustee.

The Lessor covenants and agrees not to alter, amend or modify the Equipment Trust Agreement or the Lease Assignment, without the prior written consent of the Lessee.

The Lessee agrees, for the benefit of the Lessor and the Trustee, to comply in all respects with all laws of the jurisdictions in which operations involving any Unit subject to this Lease may extend, with the Interchange Rules of the Association of American Railroads, if applicable, and with all lawful rules of any legislative, executive, administrative or judicial body or officer exercising any power or jurisdiction over any such Unit, to the extent such laws and rules affect the operations or use of such Unit; and the Lessee shall and does hereby indemnify the Lessor and the Trustee and agrees to hold the Lessor and the Trustee harmless from

and against any and all liability that may arise from any infringement or violation of any such laws or rules by the Lessor or the Lessee, or their employees, or any other person. In the event that such laws or rules require the alteration of the Units or in case any equipment or appliance on any such Unit shall be required to be changed or replaced, or in case any additional or other equipment or appliance is required to be installed on such Unit in order to comply with such laws, regulations, requirements and rules, the Lessee agrees, at its own expense, to make such alterations, changes, additions and replacements and to use, maintain and operate such Unit in full compliance with such laws, regulations, requirements and rules so long as such Unit is subject to this Lease; provided, however, that the Lessee may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor or the Trustee, adversely affect the property or rights of the Lessor or the Trustee hereunder or under the Equipment Trust Agreement.

The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit which is subject to this Lease in good order and repair, reasonable wear and tear excepted.

Any and all additions to any Unit and any and all parts installed on or replacements made to any Unit shall be considered accessions to such Unit (except such additions or parts as are not included in the Purchase Price [as defined in the Manufacturing Agreement] of the Units and as can be removed without damage to and without impairing the originally intended function or use of such Unit and without cost or expense to the Lessor or the Trustee) and there shall be immediately vested in the Lessor and the Trustee the same interest in such accessions, parts or replacements as the interests of the Lessor and the Trustee in such Unit. The Lessee may make alterations or modifications in any Unit so long as they do not affect the value of such Unit adversely.

The Lessee agrees to indemnify and save harmless the Lessor and the Trustee against any charge or claim made against the Lessor or the Trustee and against any expense, loss or liability (including, but not limited to, strict liability imposed by statute or rule of law, counsel fees and expenses, patent liabilities, penalties and interest, but excluding any expense, loss or liability referred to in Sections 5 and 13 hereof, as to which said Sections shall

apply) which the Lessor or the Trustee may incur in any manner by reason of the issuance of the Trust Certificates or by reason of entering into or performing the Equipment Trust Agreement, this Lease, any of the instruments or agreements referred to therein or herein or contemplated thereby or hereby or the ownership of, or which may arise in any manner out of or as the result of the ordering, acquisition, purchase, leasing, use, operation, condition, delivery, rejection, storage or return of, any Unit while subject to this Lease or until no longer in the possession of or stored by the Lessee, whichever is later, or for any other cause whatsoever, and to indemnify and save harmless the Lessor and the Trustee against any charge, claim, expense, loss or liability (including but not limited to strict liability imposed by statute or rule of law and counsel fees and expenses) on account of any accident in connection with the delivery, operation, use, condition, possession or storage of any Unit resulting in damage to property or injury to or death of any person; provided, however, that the Lessee shall not be required to indemnify the Lessor or the Trustee under this paragraph in respect of any such charge, claim, expense, loss or liability which shall have been caused by the wilful act or neglect of the Lessor or the Trustee or of any agent of the Lessor or the Trustee, provided, further, however, that the Lessor and the Trustee will not be deemed negligent as a result of any act or omission of the designer or Manufacturer of any Unit or as a result of any act or omission of the Lessee.

The indemnities arising under this Section 8 shall survive payment of all other obligations under this Lease and the termination of this Lease.

The Lessee agrees to prepare and deliver to the Lessor and the Trustee within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor and the Trustee) any and all reports known by the Lessee to be required to be filed by the Lessor or the Trustee, or requested by the Lessor or the Trustee to be filed, with any federal, state, provincial or other regulatory authority by reason of the interest of the Trustee and the Lessor in the Units or the leasing of the Units to the Lessee.

Section 9. Default. If, during the continuance of this Lease, one or more of the following events (hereinafter sometimes called Events of Default) shall occur:

(A) default shall be made in the payment of any part of the rental provided in Section 2 or the payments provided in subdivisions A and B of Section 13 or Section 17 hereof and such default shall continue for five days; or

(B) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, enter into any amendment, modification or termination of the Lease without the prior written consent of the Trustee, or any unauthorized sublease or use of the Units or any thereof; or

(C) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in any consent (hereinafter called the Consent) by the Lessee to the assignment by the Lessor of this Lease to the Trustee and such default shall continue for 25 days after written notice to the Lessee specifying the default and demanding that the same be remedied; or

(D) any proceedings shall be commenced by or against the Lessee for any relief under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganization, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder or under the Consent), and unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), and all the obligations of the Lessee under this Lease and the Consent shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or for the property of the Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier;

then, in any such case, the Lessor, at its option, may:

(a) proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease and of the Consent or to recover damages for the breach thereof; or

(b) by notice in writing to the Lessee terminate this Lease, whereupon all right of the Lessee to the use of the Units shall absolutely cease and determine as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon, the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever; but the Lessor shall, nevertheless, have the right to recover from the Lessee any and all amounts which under the terms of this Lease may then be due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full period by a fraction of which the numerator is such number of days and the denominator is that total number of days in such full rental period) and also to recover forthwith from the Lessee (i) as liquidated damages for loss of the bargain and not as a penalty, a sum with respect to each Unit which represents the excess of (x) the present value at the time of such termination of the entire unpaid balance of all rentals for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over (y) the then present value of the net rentals which the Lessor reasonably estimates to be obtainable for the lease of the Unit during such period, such present value to be computed in each case on a basis of 10% per annum discount compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated; (ii) any damages and expenses, including reasonable attorney's fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease other than for the payment of rental; (iii) an amount which after

deduction of all taxes required to be paid by the Lessor in respect of the receipt thereof under the laws of the United States or Canada or any political subdivision thereof, shall be equal to any portion of the 7% investment credit (hereinafter called the "Investment Credit"), allowed by Section 38 and related sections of the Internal Revenue Code of 1954, as amended (hereinafter called the Code), which was lost, not claimed, not available for claim, disallowed or recaptured by or from the Lessor as a result of the breach of one or more of the representations, warranties and covenants made by the Lessee in Section 13 hereof or any other provision of this Lease, the inaccuracy of any statement in any letter or document furnished to the Lessor by the Lessee, the termination of this Lease, the Lessor's loss of the right to use such Unit, any action or inaction by the Lessee or the sale or other disposition of the Lessor's interest in any such Unit after the occurrence of an Event of Default and (iv) after deduction of all taxes required to be paid by the Lessor in respect of the receipt thereof under the laws of the United States or Canada or any political subdivision thereof, such sum as, in the reasonable opinion of the Lessor, will cause the Lessor's net return under this Lease to be equal to the net return that would have been available to the Lessor if it had been entitled to utilization of all or such portion of (x) the maximum depreciation deduction authorized with respect to a Unit under Section 167 and related sections of the Code utilizing a twelve-year depreciable life taking into account an estimated Gross Salvage Value of 21.46% of the Purchase Price reduced by 10% as provided in Section 167(f) of the Code and employing the double declining balance method of depreciation switching to the sum of the years digits method on January 1, 1976 (such depreciation deduction being hereinafter called the Depreciation Deduction), and (y) the deduction in each taxable year of the Lessor for all interest paid during such year on the Trust Certificates compiled in accordance with Section 163 of the Code (hereinafter called the Interest Deduction), in each case which was lost, not claimed, not available for claim, disallowed or recaptured by or from the Lessor as a result of a breach of one or more of the representations, warranties and covenants made by the Lessee in Section 13 or any other provision of this Lease, the inaccuracy of any statement in any letter or document furnished to the Lessor by the Lessee, the termination of this Lease, the Lessor's loss of

the right to use any Unit or any action or inaction by the Lessee or the sale or other disposition of the Lessor's interest in any Unit after the occurrence of an Event of Default. Notwithstanding anything to the contrary contained in this clause (b), it is understood and agreed that the Lessee shall receive a credit in respect of the amount payable or paid pursuant to subclause (i) of this clause (b) equal to any net proceeds received by the Lessor upon the sale or the releasing of the Units to the extent that such net proceeds as actually received exceed the amount payable or paid pursuant to the said subclause (i).

Anything in this Section 9 to the contrary notwithstanding, any default in the observance or performance of any covenant, condition or agreement on the part of the Lessee which results solely in the loss by the Lessor of, or the loss by the Lessor of the right to claim, or the disallowance with respect to the Lessor of, all or any portion of the above-mentioned deductions, credits or other benefits, shall be, for all purposes of this Lease, deemed to be cured if the Lessee shall, on or before the next rental payment date after written notice from the Lessor of the loss, or the loss of the right to claim, or the disallowance of such deductions, credits or other benefits in respect of such Unit, agree to pay to the Lessor the revised rental rate in respect of such Units determined as provided in the third paragraph of Section 13 of this Lease.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make rental payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

The failure of the Lessor to exercise the rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

Section 10. Return of Units Upon Default. If the Lease shall terminate pursuant to Section 9 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit returned to the Lessor pursuant to this Section 10 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, (ii) have attached or affixed thereto any addition to, parts installed on or replacement of such Units considered an accession thereto under Section 8 hereof, and (iii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads, if applicable. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner place such Units upon such storage tracks of the Lessee as the Lessor may reasonably designate;

(b) permit the Lessor to store such Units on such tracks at the risk of the Lessee until all such Units have been sold, leased or otherwise disposed of by the Lessor; and

(c) transport the same to any place on the tracks of the Lessee or any of its affiliates or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so as to cause the assembly, delivery, storage and transportation of the Units. During any storage period, the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 10, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be at the time in possession of such Unit. In connection therewith the Lessee will supply the Lessor with such documents as the Lessor may reasonably request.

Section 11. Assignment; Possession and Use.

This Lease and the rentals and other sums due hereunder shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder shall inure to the benefit of Lessor's assigns as if named herein as Lessor and to the holders of the Trust Certificates. Whenever the term Lessor is used in this Lease it shall apply and refer to the Lessor and, where the context so requires, the Beneficiary and each assignee of the Lessor.

So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease, but, without the prior written consent of the Lessor, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them (except to the extent that the provisions of any mortgage now or hereafter created on any of the lines of railroad of the Lessee may subject the Lessee's leasehold interest to the lien thereof). In addition, the Lessee, at its own expense, will notify the Lessor of, and promptly cause to be duly discharged, any lien, charge, security interest or other encumbrance (other than an encumbrance resulting from claims against the Lessor or the Trustee not related to the ownership of the Units or to the extent that the provisions of any mortgage now or hereafter created on any of the lines of railroad of the Lessee may subject the Lessee's leasehold interest to the Lien thereof) which may at any time be imposed on or with respect to any Unit including any accession thereto or the interests of the Lessor, the Trustee or the Lessee therein. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or

control, any of the Units, except to the extent permitted by the provisions of the immediately succeeding paragraph hereof.

So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession of the Units and to the use thereof by it or by any affiliated or subsidiary corporation upon its or their lines of railroad or upon lines of railroad over which the Lessee or such other corporation has trackage or other operating rights or over which railroad equipment of the Lessee or any such other corporation is regularly operated pursuant to contract, and also to permit the use of the Units upon other railroads in the usual interchange of traffic (if such interchange is customary at the time), but only upon and subject to all the terms and conditions of this Lease and the Equipment Trust Agreement.

Nothing in this Section 11 shall be deemed to restrict the right of the Lessee (i) to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any corporation incorporated under the laws of Canada (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become amalgamated, merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety; or (ii) to sublease any Unit to any subsidiary or affiliated corporations of the Lessee; provided, however, that the rights of such sublessee are made expressly subordinate to the rights and remedies of the Trustee under the Equipment Trust Agreement and the Lessor under this Lease and that notice of such assignment, transfer or sublease is given to the Lessor.

The Lessee, at its own expense, will as soon as possible cause to be duly discharged any lien, charge, security interest or other encumbrance (other than the lien of the Equipment Trust Agreement or any encumbrance resulting from claims against the Lessor not related to the ownership or leasing of the Unit) which may at any time be imposed on or with respect to any Unit including any accession thereto or the interest of the Lessor, or the Lessee therein. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of this Section 11.

Section 12. Return of Units Upon Termination.

As soon as practicable on or after the expiration of the original or any extended term of this Lease as to any or all of the Units, the Lessee will (unless the Units shall have suffered a Casualty Occurrence), at its own cost and expense, at the request of the lessor, assemble such Units and deliver possession of such Units to the Lessor upon such storage tracks of the Lessee as the Lessor may reasonably designate and permit the Lessor to store such Units on such tracks for a period not exceeding three months and transport the same, at any time within such three-month period, to any reasonable place on the lines of railroad operated by the Lessee or to any connecting carrier for shipment, all as directed by the Lessor upon not less than 30 days' written notice to the Lessee; the movement and storage of the Units to be at the expense and risk of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the lessor or any prospective purchaser, the rights of inspection granted under this sentence. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. If any Unit shall have suffered a Casualty Occurrence, the Lessee shall thereupon assume and hold the Lessor harmless from all liability arising in respect of any responsibility of ownership thereof. Each Unit returned to Lessor pursuant to this Section (other than a Unit which has suffered a Casualty Occurrence) shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, (ii) have attached or affixed thereto any addition to, parts installed on or replacement of such Units considered an accession thereto under Section 8 hereof and (iii) meet the standards then in effect under the interchange rules of the Association of American Railroads and the United States Federal Railroad Administration if applicable and the Canadian Transport Commission.

Section 13. Indemnity in Respect of Tax Matters.

A. The Lessor shall be entitled to such deductions, credits and other benefits as are provided by the Code (as defined in Section 9 of this Lease) to an owner of property including (without limitation) an allowance for the Depreciation Deduction, the Investment Credit and the Interest Deduction (all as defined in Section 9 of this Lease).

The Lessee agrees that neither it nor any corporation controlled by it, in control of it, or under common control with it, directly or indirectly, will at any time take any action or file any return or other documents inconsistent with the foregoing and that each of such corporations will file such returns, take such actions and execute such documents as may be reasonable and necessary to facilitate accomplishment of the intent hereof.

If the Lessor shall lose or shall not have or shall lose the right to claim, or if there shall be disallowed, or recaptured with respect to the lessor, all or any portion of the Investment Credit, Interest Deduction or Depreciation Deduction as are provided to an owner of property with respect to a Unit for any period prior to (i) the termination of this Lease and (ii) full compliance by the Lessee with all of its obligations hereunder as the direct or indirect result of the following events:

(i) a "Determination" as defined in Section 1313(a) of the Code (hereinafter referred to as a "Determination") of additional tax liability resulting from the conclusion of the Internal Revenue Service that (A) any representation, fact, estimate, opinion or other statement which is contained in a certificate furnished to the Lessor by the Lessee, or any affiliated company or any officer, employee, agent or attorney thereof, which is contained in the Request for Rulings (as hereinafter defined) is fraudulent, untrue, incorrect, inaccurate, misleading, unreasonable or insufficient in whole or in part (including any omission of a material fact which causes such representation, fact, estimate, opinion or other statement to be misleading or insufficient in whole or in part); (B) any representation, fact, estimate, opinion or other statement made or stated in writing by the Lessee, or any affiliated company or any officer, employee, agent or attorney thereof, in connection with the obtaining of the rulings requested in such Request for Rulings is fraudulent,

untrue, incorrect, inaccurate, misleading, unreasonable or insufficient in whole or in part (including any omission of a material fact which causes such representation, fact, estimate, opinion or other statement to be misleading, or insufficient in whole or in part); or (C) the Lessee, or any affiliated company or any officer, employee, agent or attorney thereof, has taken or failed to take any action whatsoever (including, without limitation, any action in respect of the Lessee's or such affiliate's income tax returns) which action or nonaction is inconsistent with or in contravention of any of the matters set forth in such Request for Rulings or set forth in the ruling issued pursuant thereto or in any closing agreement entered into in connection with such rulings; or

(ii) the representations contained in this Section 13 being untrue;

then, in such event, subject to the provisions of subdivision E of this Section 13, the Lessee shall pay to the Lessor as additional rent (x) an amount which, after deduction of any taxes required to be paid by the Lessor in respect of the receipt thereof under the laws of any Federal, state, or local government or taxing authority of the United States, shall be equal to the additional Federal, state or local income taxes payable by the Lessor in consequence of the event and (y) the amount of any interest (including any additions to tax as a result of the underpayment of estimated tax) and penalty which may be assessed by any Federal, state or local taxing authority against the Lessor in consequence of the event, which amounts shall be payable on written demand made by the Lessor (but nonpayment of such amount shall not constitute an Event of Default until 30 days after such written demand); provided, however, that in computing the amount of any such additional rent an allowance shall be made for the tax benefits attributable to the amounts by which the deduction for depreciation in later years will exceed the amounts which would have been allowable had there not been reductions in the amounts of depreciation allowed for earlier years; and an allowance shall be made for tax benefits attributable to the exclusion from the Lessor's income of revenue which would otherwise have been includible therein; but such allowances shall be applied only to the extent that such application does not result in the Lessor's net return under this Lease being less than the net return which would have been available to the Lessor.

if such event had not occurred. In computing such allowance a discount factor of 10% per annum shall be utilized; provided, further, however, that such additional rent shall not be so paid if the Lessor shall have lost, or shall not have or shall have lost the right to claim, or if there shall have been disallowed with respect to the Lessor all or any portion of, the Investment Credit, Interest Deduction or Depreciation Deduction with respect to such Unit as a direct result of the occurrence of any of the following events:

(1) a Casualty Occurrence with respect to such Unit, if the Lessee shall have paid to the Lessor the amounts stipulated under Section 6 hereof;

(2) a voluntary transfer by the Lessor of title to such Unit, the disposition by the Lessor of any interest in such Unit, the reduction by the Lessor of its interest in the rentals from such Unit under the Lease (other than as contemplated herein or in the other agreements referred to herein) or any deemed disposition of such Unit as provided in the Income Tax Act (Canada), unless, in each case, an Event of Default shall have occurred and be continuing;

(3) the amendment of the Equipment Trust Agreement without the prior written consent of the Lessee;

(4) the failure of the Lessor to claim the Investment Credit, the Interest Deduction or the Depreciation Deduction in its income tax return for the appropriate year or the failure of the Lessor to follow proper procedure in claiming the Investment Credit, the Interest Deduction or the Depreciation Deduction with respect to such Unit; or

(5) the failure of the Lessor to have sufficient liability for the tax against which to credit such Investment Credit or sufficient income to benefit from the Depreciation Deduction or Interest Deduction, as applicable.

The Lessor agrees that if, in the opinion of its or the Lessee's independent tax counsel (herein referred to as Counsel), a bona fide claim to all or a portion of the Investment Credit, Interest Deduction or the Depreciation

Deduction on any Unit exists in respect of which the Lessee is required to pay increased or additional rental and interest and/or penalty as aforesaid to the Lessor as above provided, the Lessor shall, upon request and at the expense of the Lessee, take all such legal or other appropriate action deemed reasonable by Counsel in order to sustain such claim. The Lessor may take such action prior to making payment of the amounts claimed pursuant to a notice of disallowance or recapture or make such payment and then sue for a refund. In the latter event, if the final determination shall be adverse to the Lessor, the Lessee shall pay to the Lessor interest on the amount of the tax paid attributable to the Depreciation Deduction, the Interest Deduction and/or the Investment Credit disallowed, at the rate of 10% per annum, from the date of payment of such tax to the date the Lessee shall reimburse the Lessor for such tax in accordance with the provisions of this Section 13. The Lessor shall not be obligated to take any such legal or other appropriate action unless the Lessee shall first have agreed in writing to indemnify the Lessor for all liabilities and expenses which may be entailed therein and shall have furnished the Lessor with such reasonable security therefor as may be requested.

B. Notwithstanding any provision herein to the contrary (other than subdivision E of this Section 13), (a) if any Canadian governmental authority, federal or provincial, shall cause any rental payment under Section 2 hereof or any additional rental payment under this Section 13 or any additional payment under Section 17 hereof (or any other payment under this Lease or any authorized assignment thereof) to become subject to Canadian federal or provincial income tax arising as a result of any change in Canadian federal or provincial law or regulations (hereinafter called "Canadian Taxation") or (b) if any Canadian governmental authority, federal or provincial, shall withhold or cause to be withheld from any rental payment made under Section 2 hereof or any additional rental payment made under this Section 13 or any additional payment made under Section 17 hereof (or any other payment made under this Lease or any authorized assignment thereof) or any distribution by the Lessor to the Beneficiary any amounts (other than any amounts required by law to be withheld from any payment of interest made to the Trustee for the benefit of, or directly to, any holder from time to time of a Trust Certificate) in respect of taxes (hereinafter called "withholding taxes")

or (c) if any Canadian governmental authority, federal or provincial, shall impose a tax (other than a withholding tax) against the Beneficiary (hereinafter called Other Taxes), the following provisions will apply:

(1) The Lessee will, on the rental payment date when such rental payment is made, pay to the Lessor as additional rental a sum sufficient to cause the Lessor or the Beneficiary, as the case may be, to receive an amount equivalent to the amount the Lessor or the Beneficiary, as the case may be, would have received had no withholding taxes been withheld or Canadian Taxation or Other Taxes imposed.

(2) The Lessee will pay such withholding taxes and Canadian Taxation and Other Taxes and will forthwith furnish to the Lessor all tax receipts obtainable by the Lessee in connection therewith and all information and documents necessary or appropriate to enable the Lessor to substantiate a claim for credit or deduction for U.S. federal or any other income tax purposes with respect thereto.

(3) Upon receipt by the Lessor or the Beneficiary of (i) such tax receipts and other information and documents and (ii) the benefit of any reduction in the federal or any other income tax liability resulting from the crediting or deducting of such withholding taxes or Canadian Taxation or Other Taxes in the computation of such tax, the Lessor will forthwith reimburse the Lessee an amount so that the Lessor shall be in the same position it would have been if such withholding taxes or Canadian Taxation or Other Taxes had not been imposed. It is agreed that such determination may be revised and new demand made upon Lessee after any disallowance of such credit or deduction upon audit by the U.S. Internal Revenue Service. The obligation of the Lessor under this subparagraph (3) will survive the termination of this Lease.

C. The Lessee's agreement to pay any sums which may become payable pursuant to this Section 13 shall survive the expiration or other termination of this Lease.

D. The Lessee represents, warrants and covenants that (i) none of the Units constitutes property the construction, reconstruction or erection of which was begun before

April 1, 1971; (ii) at the time the Lessor becomes the owner of the Units, such Units will constitute "new section 38 property" within the meaning of Section 48(b) of the Code and at the time the Lessor becomes the owner of all Units, the Units will not have been used by any person so as to preclude "the original use of such property" within the meaning of Section 48(b) and 167(c)(2) of the Code from commencing with the Lessor, (iii) at all times during the term of this Lease, each Unit will constitute "section 38 property" within the meaning of Section 48(a) of the Code, will not be used predominantly outside the United States within the meaning of said Section 48(a) (or any exception thereto) and will be used by railroad companies; and (iv) the Lessee will maintain sufficient records to verify such use and upon the Lessor's reasonable request the Lessee shall provide at its own expense true copies of sufficient records to satisfy a request of the Internal Revenue Service with respect thereto.

E. If at any time during the original and any extended term of this Lease (a) any change in Canadian federal or provincial law or regulations operates to cause any rental payment under Section 2 hereof or any additional rental payment under this Section 13 or any additional payment under Section 17 (or any other payment under this Lease or any authorized assignment thereof) to become subject to Canadian federal or provincial income tax (herein called "Canadian Taxation") or (b) if any change in Canadian federal or provincial law or regulations requires the Lessee to withhold any amounts in respect of Canadian federal or provincial income tax arising as a result of any change in the basis of determining such tax or any increase above a 15% withholding tax rate (which amounts are hereinafter called "Withholding Taxes") or (c) if any Canadian governmental authority, federal or provincial, imposes upon the Lessor or the Beneficiary income or corporation taxes (including withholding taxes) in excess of \$1,000 in any year during the original term of this Lease or in excess of 15% of the aggregate rentals payable hereunder in any year of any extended term of this Lease, the following provisions shall apply:

(1) The Lessee shall notify the Lessor and the Trustee in writing that, in the opinion of counsel for the Lessee (signed copy of which opinion shall be attached to such notice), such change in law or regulations operates to impose Canadian Taxation upon such rental payments or to require the Lessee to remit

Withholding Taxes or such income or corporation taxes (including withholding taxes) have been imposed, and

(2) The Lessee shall have an option, exercisable by notice in writing to the Lessor and the Trustee at least 90 days prior to any semiannual rental payment date occurring subsequent to the notice referred to in clause (1) above, to purchase and accept all of the Lessor's right, title and interest in and to all the Units then subject to this Lease at a price equal to the higher of (A) the Fair Market Value (determined as provided in Section 18 hereof) of such Units on such semiannual rental payment date less an amount equal to that portion of such Fair Market Value which is attributable to the principal represented by the Trust Certificates and accrued interest, if any, on such principal or (B) the sum of (a) the aggregate Casualty Value of such Units on such semiannual rental payment date (determined in accordance with the schedules contained in Section 6 hereof) less an amount equal to that portion of such aggregate Casualty Value which is attributable to the principal represented by the Trust Certificates and accrued interest, if any, on such principal and (b) all fees, costs and expenses of any nature whatsoever (including without limitation all brokerage commissions, attorneys and accountants' fees and printers' charges) incurred by the Lessor in connection with such purchase by the Lessee pursuant to this clause (2) or otherwise in connection with the transactions contemplated by this Lease and the Equipment Trust Agreement, and to deliver to the Lessor an undertaking whereby the Lessee assumes and agrees to pay, perform and discharge all obligations of the Lessor in respect of the Equipment Trust Agreement and agrees to execute and deliver to the Trustee such further documentation in connection with such purchase and assumption as the Trustee may reasonably request. Forthwith upon receipt of the notice given under this clause (2), the Lessor will, in accordance with Section 1.48-4(f) of the Income Tax Regulations, file a statement with the Lessee of the Lessor's election to treat the Lessee as having purchased such Units for purposes of the credit allowed by Section 38 of the Code. Such purchase shall be closed on the semiannual rental payment date next succeeding the date of the notice given under this clause (2), and the payment of such purchase price shall be made in immediately available funds against delivery of a bill of sale from the Lessor transferring all of the

Lessor's right, title and interest in and to such Units free and clear of all liens (other than the liens of the Equipment Trust Agreement and the Lease Assignment) arising from acts of the Lessor. Notwithstanding the exercise of the option to purchase provided in this clause (2) the Lessee shall, on the semiannual rental payment date on which such purchase is closed, pay to the Lessor the rental payment due on such date pursuant to Section 2 or Section 18 hereof, as the case may be. The Lessor shall not be required to make any representation or warranty as to the condition of such Units, the timeliness of the Lessor's election under Section 1.48-4(f) of the Income Tax Regulations or as to any other matter. After any such purchase pursuant to this clause (2) this Lease shall remain in full force and effect and the Lessee shall continue to perform all of its obligations as the Lessee hereunder and shall also perform all of the obligations and, subject to the Equipment Trust Agreement and any assignment of this Lease by the Lessor, be entitled to all of the rights of the Lessor hereunder as if originally named as the Lessor herein. Simultaneously with such purchase pursuant to this clause (2) the Lessee shall assume all of the obligations of the Lessor under the Equipment Trust Agreement as if originally named as the Company thereunder and shall execute and deliver such instruments and documents (in form and substance satisfactory to the Trustee) as the Trustee may reasonably request to evidence further such assumption (which instrument shall include an assumption in such capacity under the Equipment Trust Agreement of the obligations of the Lessee set forth in Section 5 and this Section 13 hereof).

(3) In the event that the Lessee does not exercise the option contained in clause (2) hereof, then the Lessee shall continue to be subject to and held to all its obligations and rights hereunder, including but not limited to such obligations in Sections 2 and 5, this Section 13 and Section 17 hereof.

Section 14. Recording; Certain Expenses. Prior to the delivery and acceptance of any Unit, the Lessee will, at its own expense, cause this Lease, any assignments hereof, the Manufacturing Agreement and any assignment thereof by the Manufacturer to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the

Interstate Commerce Act and deposited in the office of the Registrar General of Canada (notice of such deposit to be forthwith thereafter given in the Canada Gazette) pursuant to Section 86 of the Railway Act of Canada. The Lessee will, at its own expense, similarly file and record and deposit (and give the requisite notice of such deposit) the Equipment Trust Agreement and undertake the filing, recording, depositing (and giving of notice) required under the Equipment Trust Agreement and will further, at its own expense, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will refile, reregister, rerecord or redeposit) any and all further instruments required by law or reasonably requested by the Lessor or the Trustee, for the purpose of proper protection, to the satisfaction of the Lessor and the Trustee, of the Lessor's and the Trustee's respective interests in the Units, or for the purpose of carrying out the intention of this Lease and the Equipment Trust Agreement. The Lessor will promptly furnish to the Lessor and the Trustee evidence of all such filing, registering, recording, depositing (giving of notice), refiling, reregistering, rerecording and/or redepositing and an opinion or opinions of counsel with respect thereto satisfactory to the Lessor and the Trustee.

The Lessee will pay the reasonable fees and expenses of the Lessor in its capacity as Owner Trustee under the Trust Agreement, unless such fees and expenses are paid by some other person.

Section 15. Interest on Overdue Rentals. Anything to the contrary herein notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay also an amount equal to interest at the Penalty Rate (as defined in the Equipment Trust Agreement), or, if the Equipment Trust Agreement shall not have been executed and delivered, at the rate of 11-3/4% per annum on the overdue rentals and other obligations for the period of time during which they are overdue.

Section 16. Termination. In the event that all of the Units shall have been excluded from this Lease as provided in Section 1 hereof, this Lease shall terminate and, except as otherwise expressly provided in this Lease, the rights and obligations hereunder of the parties hereto shall cease and determine as if this Lease had never been made.

Section 17. Additional Payments by Lessee. In addition to the rentals specified in Section 2 hereof the Lessee agrees to pay to the Lessor on the Business Day next preceding the date for prepayment of Trust Certificates pursuant to the Equipment Trust Agreement (other than prepayment in respect of Casualty Occurrences), an amount equal to interest payable on the Trust Certificates to be prepaid on such date.

Section 18. Purchase and Renewal Options. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may, by written notice delivered to the Lessor not less than six months prior to the end of the original term of this Lease or any extended term hereof, as the case may be, elect (a) to purchase some of or all the Units covered by this Lease at the end of such term or such extended term of this Lease for a purchase price equal to the "Fair Market Value" of such Units as of the end of such term or such extended term and/or (b) to extend the term of this Lease in respect of all, but not fewer than all, of the Units then covered by this Lease, for three additional five-year periods the first of which shall commence on the scheduled expiration of the original term of this Lease, the second of which shall commence on the scheduled expiration of the first such extended term of this Lease and the third of which shall commence on the scheduled expiration of the second such extended term of this Lease, provided, that no such extended term shall extend beyond fifteen years from the date of expiration of the original term of this Lease, at a rental, during the first and second such five-year periods, in an amount equal to \$373.67 and \$186.83, respectively, for each Unit subject to this Lease as so extended, and, during the third such five-year period, in an amount equal to the "Fair Rental Value" of such Units, in each case payable in arrears in 10 semiannual payments for each five-year period; such semiannual payments to be made on May 31 and November 30 in each year of the applicable extended term.

Fair Market Value shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing buyer-user (other than (i) a lessee currently in possession or (ii) a used equipment dealer) and an informed and willing seller under no compulsion to sell and, in such determination, costs of removal from the location of current use shall not be a deduction from such value.

Fair Rental Value shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing lessee-user (other than a lessee-user currently in possession) and an informed and willing lessor under no compulsion to lease and, in such determination, costs of removal from the location of current use shall not be a deduction from such value.

If on or before four months prior to the expiration of the original term of this Lease or any extended term hereof, as the case may be, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Value or the Fair Rental Value of the relevant Units, such value shall be determined in accordance with the foregoing definition by a qualified independent Appraiser. The term Appraiser shall mean such independent appraiser as the Lessor and the Lessee may mutually agree upon, or failing such agreement, a panel of three independent appraisers, one of whom shall be selected by the Lessor, the second by the Lessee and the third designated by the first two so selected. The Appraiser shall be instructed to make such determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to the Lessor and the Lessee. The determination so made shall be conclusively binding upon both Lessor and Lessee. The expenses and fees of the Appraiser shall be borne by the Lessee. Upon payment of the purchase price, the Lessor shall upon request of the Lessee execute and deliver to the Lessee, or to the Lessee's assignee or nominee, a bill of sale (without warranties) for such Unit such as will transfer to the Lessee such title to such Unit as the Lessor and the Trustee derived from the Manufacturer free and clear of all liens, security interests and other encumbrances arising through the Lessor or the Trustee.

Section 19. Purchase of the Lessor's Interest by Lessee if Favorable Tax Ruling is not Received. In the event that on or before June 30, 1975, the United States Internal Revenue Service shall not have issued to the Lessor, upon a request by it (herein called the Request for Rulings) a favorable tax ruling to the effect that, for United States Federal income tax purposes:

(i) the trust established pursuant to the Trust Agreement will be subject to Subpart E, Part 1 of Subchapter J of Chapter 1 of the Code;

(ii) payments of rent under this Lease will not be subject to United States withholding tax so long as the Beneficiary is a domestic corporation;

(iii) this Lease constitutes a true lease and the Lessor will be treated as owner of the Units;

(iv) the Lessor is entitled to the Interest Deduction in computing its taxable income;

(v) the Lessor is entitled to the Investment Credit in respect of 100% of the Purchase Price of the Units; and

(vi) the Lessor is entitled to the Depreciation Deduction in respect of 100% of the Purchase Price of the Units;

then not later than July 31, 1975, the Lessee, at its option, shall either (a) furnish indemnity to the Lessor and the Beneficiary, reasonably satisfactory to each of them, against any adverse tax consequences resulting from the failure to obtain such ruling or (b) purchase and accept all of the Lessor's right, title and interest in and to all the Units then subject to this Lease at a price equal to the aggregate of (A) the Lessor's original investment in the Purchase Price of such Units, (B) interest at the rate of 10-3/4% per annum on the amount referred to in clause (A) above from the date of such investment to and including the date of such purchase, and (C) all fees, costs and expenses of any nature whatsoever (including without limitation all brokerage commissions, attorneys' and accountants' fees, printers' charges and all fees, costs and expenses incurred in connection with the Request for Rulings) incurred by the Lessor in connection with such original investment, such purchase by the Lessee pursuant to this Section 19 or otherwise in connection with the transactions contemplated by this Lease and the Equipment Trust Agreement, and to deliver to the Lessor an undertaking whereby the Lessee assumes and agrees to pay, perform and discharge all obligations of the Lessor in respect of the Equipment Trust Agreement and agrees to execute and deliver to the Trustee such further documentation in connection with such purchase and assumption as the Trustee may reasonably request. Forthwith upon receipt of notice of exercise of such option to purchase, the Lessor will, in accordance with Section 1.48-4(f) of the Income Tax Regulations, file a statement with the Lessee

of the Lessor's election to treat the Lessee as having purchased such Units for purposes of the credit allowed by Section 38 of the Code. The payment of such purchase price shall be made in immediately available funds against delivery of a bill of sale from the Lessor transferring all of the Lessor's right, title and interest in and to such Units free and clear of all liens (other than the liens of the Equipment Trust Agreement and the Lease Assignment) arising from acts of the Lessor. The Lessor shall not be required to make any representation or warranty as to the condition of such Units, the timeliness of the Lessor's election under Section 1.48-4(f) of the Income Tax Regulations or as to any other matter. After any such purchase pursuant to this Section 19 this Lease shall remain in full force and effect and the Lessee shall continue to perform all of its obligations as the Lessee hereunder and shall also perform all of the obligations and, subject to the Equipment Trust Agreement and any assignment of this Lease by the Lessor, be entitled to all of the rights of the Lessor hereunder as if originally named as the Lessor herein. Simultaneously with such purchase pursuant to this Section 19 the Lessee shall assume all of the obligations of the Lessor under the Equipment Trust Agreement as if originally named as the Company thereunder and shall execute and deliver such instruments and documents (in form and substance satisfactory to the Trustee) as the Trustee may reasonably request to evidence further such assumption (which instrument shall include an assumption in such capacity under the Equipment Trust Agreement of the obligations of the Lessee set forth in Sections 5 and 13 hereof).

Section 20. Mileage Allowance; Subrogation; Further Assurance. Provided the Lessee is not in default hereunder, the Lessee shall be entitled to (i) all mileage allowances and other moneys payable by reason of the use of the Units, and any such mileage allowances or other moneys received by the Lessor shall be forthwith remitted to the Lessee, and (ii) the proceeds of any claim or right of the Lessor or the Lessee against third persons for injury, damage or loss with respect to any Unit or the use or operation thereof, including settlements pursuant to the rules of the Association of American Railroads, and the Lessee shall be subrogated to the extent of the Lessee's interest to all the Lessor's rights of recovery therefor against any other person, firm or corporation. The Lessor hereby authorizes the Lessee to make settlement of, receive payment and receipt for any and all such claims on behalf of the Lessor, and the Lessor

agrees to execute and deliver from time to time such instruments and do such other acts and things as may be necessary or appropriate more fully to evidence the Lessee's authority and/or to vest in the Lessee such proceeds to the extent of the Lessee's interest therein or to effect such subrogation; and in the event of any loss, damage or destruction in respect of which the Lessee is entitled to proceeds or subrogation as aforesaid, the Lessor shall refrain from doing any act or executing any instrument which would prejudice the right of the Lessee to such proceeds or to such subrogation.

The Lessee covenants and agrees from time to time at its expense to do all acts and execute all such instruments of further assurance as it shall be reasonably requested by the Lessor to do or execute for the purpose of fully carrying out and effectuating this Lease and the intent hereof.

Section 21. Execution. Although this Lease is dated as of the date first above written, for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

Section 22. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the Province of Ontario, Canada; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act, the applicable recording laws of Canada and of the Provinces or Territories thereof and such additional rights arising out of the filing, recording or depositing hereof and of any assignment hereof or out of the marking on the Units as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited or in which any Unit may be located.

Section 23. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States or Canadian registered mails, first-class postage prepaid, addressed as follows:

If to the Lessor, P. O. Box 7500, Station "A",
Toronto, Canada, Attention of Bond Department, with

a copy to Schuler Industries, Inc., Post Office Box 5366, Birmingham, Alabama 35207, Attention of President;

If to the Lessee, Windsor Station, Room 245, Montreal 101, Quebec, Canada, Attention of Vice President-- Finance and Accounting;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing.

Section 24. Definitions. If and so long as this Lease is assigned to the Trustee (or any successor thereto) for collateral purposes, wherever the term "Lessor" is used in this Lease it shall also apply and refer to the Trustee and any successors thereto (with the exception of Section 13 hereof) unless the context shall otherwise require and except that the Trustee shall not be subject to any liabilities or obligations under this Lease; and the fact that the Trustee is specifically named in certain provisions shall not be construed to mean that the Trustee (and any successors thereto) is not entitled to the benefits of other provisions where only the Lessor is named. For all purposes of Sections 5 and 8 of this Lease, the term "Trustee" shall include each holder from time to time of any Trust Certificate or Trust Certificates.

Section 25. Severability. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

This Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the Units and supersedes all other agreements, oral or written, with respect to the Units, other than the Participation Agreement dated as of the date hereof between the Lessee and the Beneficiary, the Equipment Trust Agreement and the Manufacturing Agreement. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized officers of the Lessor and the Lessee.

Section 26. Certain Amendment to Sections 2, 6 and 18. The amounts of the rental payments provided in

Sections 2 and 18 hereof and the Casualty Values set forth in the schedules contained in Section 6 hereof have been computed on the assumption that the aggregate Purchase Price of the Units will be \$2,600,000. Accordingly, in the event that the aggregate Purchase Price of the Units shall be less than \$2,600,000, the parties to this Lease shall, prior to November 30, 1974, enter into an amendment hereto effecting appropriate decreases in such amounts of the rental payments and such Casualty Values to reflect the actual aggregate Purchase Price of the Units.

Section 27. Lessor Acting as Trustee. The representations, undertakings and agreements herein made on the part of the Lessor are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement pursuant to which the Lessor is acting as trustee.

For purposes of subdivisions A and D of Section 13 hereof and for purposes of Section 19 hereof, references to the Lessor shall be deemed to mean the Beneficiary as to all matters related to the subject matter of the Request for Rulings.

Section 28. Counterpart Execution. This Lease may be executed in several counterparts, but the counterpart delivered to the Trustee shall be deemed to be the original counterpart.

IN WITNESS WHEREOF, the Lessor and the Lessee, each pursuant to due corporate authority, have caused this instrument to be signed in their respective corporate names by duly authorized officers and their respective corporate seals to be hereunto affixed and duly attested, all as of the date first above written.

THE ROYAL TRUST COMPANY,
as Owner Trustee,

by

J. G. GRIBBEN

ASST. MGR. CORP. TRUST DEPT.


[CORPORATE SEAL]

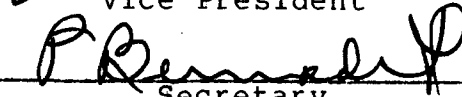
R. L. MACKENZIE SENIOR CORP. TRUST OFF. TOR. BR.



CANADIAN PACIFIC LIMITED,

by


Vice President


ASSISTANT Secretary

[CORPORATE SEAL]

ONTARIO
PROVINCE OF QUEBEC,)
TORONTO) SS.:
CITY OF MONTREAL,)

On this 25th day of October 1974, before me personally appeared James G. Gribben and Robert L. MacKenzie, to me personally known, who, being by me duly sworn, say that they are Assistant Manager Corporate Trust Department and Senior Corporate Trust Officer, Toronto Branch respectively, of THE ROYAL TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of the said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

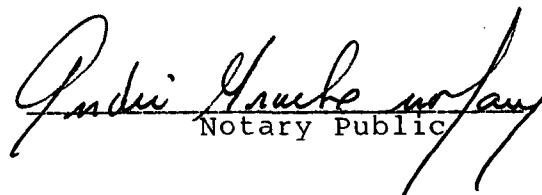

Notary Public

[NOTARIAL SEAL]

My commission expires:

PROVINCE OF QUEBEC,)
CITY OF MONTREAL,) SS.:
CITY OF MONTREAL,)

On this 25th day of October 1974, before me personally appeared Donald Spencer Maxwell and Paul Bernadet, to me personally known, who, being by me duly sworn, say that they are a Vice President and the Assistant Secretary, respectively, of CANADIAN PACIFIC LIMITED, that one of the seals affixed to the foregoing instrument is the corporate seal of the said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.


Notary Public

[NOTARIAL SEAL]

My commission expires:

for life

SCHEDULE I

Lease

Basic Equipment

<u>Quantity</u>	<u>Type and Specifications</u>	<u>Identifying Numbers (both inclusive)</u>
92	70-Ton, 50-foot Auto Parts Box Cars	CPAA 42350-42391 and CPAA 42450-42499